

Budget # _____

Refer # _____

City of Milpitas, California

BUDGET CHANGE FORM**24**

Type of Change	From		To	
	Account	Amount	Account	Amount
Check one:				
<input checked="" type="checkbox"/> Budget Appropriation	280-2909	\$44,000	280-430-4237	\$44,000
<input type="checkbox"/> Budget Transfer				

Explain the reason for the budget change:

As directed by Council at their April 20 and May 18 2004 meetings, staff is pursuing a ten year extension to the existing solid waste contract with Browning Ferris Industries (BFI). In addition, the biennial rate negotiations will be starting shortly and more efficient styles of service will be considered. Hilton Farnkopf & Hobson LLC (HFH) successfully assisted the City with prior audit and rate negotiations with a savings to the City over \$375,000 last year. Due to the potential complexity of the contract extension and potential changes in service, staff proposes an amendment to the HFH agreement for assistance in these reviews in the amount of \$83,645. Staff has reviewed the scope of work and believes it to be reasonable. Savings in existing Solid Waste accounts of approximately \$39,000 are available and a budget appropriation of \$44,000 is requested for the remaining needed funds.

Approve the budget appropriation of \$44,000 for HFH services.

☒ Check if City Council Approval required.

Meeting Date: June 1, 2004

Itemization of funds, if needed:			Amount
Requested by:	Division Head: <i>M. Ray</i>	Date:	
	Department Head: <i>M. Ray</i>	Date:	
Reviewed by:	Finance Director: <i>W. C. Kuhl</i>	Date: <i>5/20/04</i>	
Approved by:	City Manager:	Date:	
Date approved by City Council, if required:			Confirmed by:

**AMENDMENT #3 TO AGREEMENT
FOR CONSULTATION AND OTHER SERVICES**

This Amendment is entered into this ____ day of _____, by and between the City of Milpitas, a municipal corporation of the State of California (hereafter referred to as "CITY") and Hilton Farnkopf & Hobson LLC (hereafter referred to as "CONSULTANT").

RECITALS

WHEREAS, the parties entered into an Agreement on October 27, 1998 for professional services for the financial analysis of solid waste rates.

WHEREAS, the parties amended the Agreement on April 3, 2000 to extend the Agreement term.

WHEREAS, the parties amended the Agreement on August 15, 2000 to allow CONSULTANT to provide additional professional services as the lead negotiator on behalf of the CITY for biennial solid waste rate negotiations.

WHEREAS, the parties desire to amend the Agreement to allow CONSULTANT to provide additional professional services including solid waste collection contract extension, review of various service styles, and negotiator for biennial rate review.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties agree to amend the Agreement as follows:

1. Exhibit A, entitled "Scope of Services" is amended by adding Tasks 6 and 7 shown in Exhibit A-3 entitled "Scope of Services" which is attached hereto and incorporated by reference herein.
2. Exhibit B, entitled "Compensation Manner and Amount" is amended by adding Table B-3 and increasing the not-to-exceed amount by \$83,645, from \$52,360 to \$136,005.
3. All other provisions of the Agreement shall remain in full force and effect.

This Amendment is executed as of the date written above.

APPROVED BY:

CITY OF MILPITAS

CONSULTANT

City Engineer as to content

City Manager

City Attorney as to form

ATTESTED BY:

City Clerk



Mr. Darryl Wong
May 19, 2004

EXHIBIT A-3
SCOPE OF SERVICES)
Adding Tasks 6-7

May 19, 2004

Mr. Darryl Wong
Principal Civil Engineer
City of Milpitas
455 East Calaveras Boulevard
Milpitas, California 95035

Subject: Proposal to Provide Negotiation Assistance

Dear Mr. Wong:

Hilton Farnkopf & Hobson, LLC (HF&H) is pleased to provide this proposal to the City of Milpitas (City) to provide support in the City's street sweeping, extension and rate negotiations with the City's franchised solid waste collector, BFI Waste (BFI). This letter describes our understanding of the background leading to this engagement and our proposed scope of work, schedule, staff, and fees for the performance of this engagement for the City.

Background

In exchange for the extension of the term of the agreement from 2007 to 2017, BFI has offered to provide street sweeping services without charge for the remainder of 2004, 2005, 2006, and 2007 (and perhaps 2008). In addition to the provision of street sweeping services, the City is interested in other programmatic changes to the agreement, including but not limited to: automating collection services; special vehicles for areas requiring a smaller turning radius than conventional collection vehicles, and for special collection requirements in high-density developments (such as that anticipated in the "old town" section of downtown); and modifying the current spring clean-up event. Additionally, the City is interested in updating and modifying the terms of its current franchise agreement that was first executed in 1986, and incorporating the subsequent 13 amendments in a new agreement. Finally, the City may want to use these negotiations as an opportunity to address certain other matters (e.g., those



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related to BFI's Newby Island facility, as well to implement a refuse vehicle impact fee to be paid by BFI). City staff anticipate returning to the City Council in November 2004, with the final agreement.

The City staff are presenting an amendment to the existing agreement to the Council tonight that will provide for street sweeping services through January 31, 2005, and an agreement to negotiate an extension to the existing agreement during the next 90 days. If the negotiations are successful, the City will thereafter negotiate a rate adjustment and future service changes to be effective in 2006. These second negotiations are intended to be completed by late November of 2004. If the negotiations are unsuccessful, then the City will have time to negotiate with others for these services.

Scope of Work

Based on our discussion on April 28, May 12, and today, we propose to provide services to support the City in its effort to negotiate service changes and the revised rates in accordance with the current agreement.

Task 6: Negotiate Extension/Amended Agreement

The intent of the extension negotiations is to have a ten-year solid waste franchise extension to September 5, 2017 with BFI Waste Systems of North America approved by the Milpitas City Council by August 18, 2004 per the Street Sweeping Agreement (Amendment No. 14). The extension will identify conditions for new services and costs in subsequent rate negotiations.

Subtask 6.1: HF&H will review the existing agreement (including amendments) and existing conditions and operations to identify opportunities for improvement and to determine the scope of the desired future solid waste services, performance standards, and compensation.

Subtask 6.2: HF&H will meet with City staff to determine the City's goals and objectives for the extension period. These will be categorized into those to be achieved within the initial 90-day negotiations (e.g., updates to agreement terms) and those to be achieved in the subsequent negotiations (e.g., service changes).

Subtask 6.3: HF&H will draft either an amendment to the existing agreement, or an amended agreement describing the desired revised contract terms (timing of rate adjustments, performance standards, etc.) to be agreed to during the initial negotiations.

At the same time, HF&H will draft either an amendment to the existing agreement, or an amended agreement describing the desired services (street sweeping, automated collection, service to high density development, changes to spring clean-up event, etc.) and request from BFI (in a formal request for proposal with appropriate forms) its comments on that agreement as well as its costs for the amended services. These will



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Robert D. Hilton, CMC
John W. Farnkopf, PE
Laith B. Ezzel, CMC

be negotiated during the subsequent negotiations.

Subtask 6.4: HF&H will evaluate BFI's responses to both the initial and subsequent amendments (e.g., competitiveness of terms, costs and rates based on our other negotiations with BFI as well as other contractors in the Bay Area) and discuss them with City staff.

Subtask 6.5: HF&H will assist the City during both the initial and subsequent negotiations.

Subtask 6.6: HF&H will assist the City staff with presentations to the Council and its Rate Committee.

Task 7: Calculate Biennial Adjustment to Rates in Accordance with Existing Agreement

Subtask 7.1: HF&H shall attempt to identify any non-recurring or fully amortized costs which should be deleted prior to the adjustment.

Subtask 7.2: HF&H shall review the mathematical accuracy of BFI's Rate Adjustment Statement in which it calculates the rate adjustment, as well as to confirm its compliance with the terms of the existing agreement.

Subtask 7.3: HF&H shall assist in the review of any extraordinary costs claimed by BFI.

Subtask 7.4: HF&H shall review revenues from commercial recycling to determine the amount, if any, of revenues due the City to support the commercial recycling program.

Subtask 7.5: HF&H shall assist in the rate negotiations related to any City-requested changes to solid waste related programs. We anticipate that the rate negotiations will occur during the subsequent negotiations

Subtask 7.6: Draft report documenting findings.

Subtask 7.7: HF&H will assist the City staff with presentations to the Council and its Rate Committee.

Optional Services

City staff may wish to consider some of the following additional services that other clients have found to be of assistance in coordination with the negotiation of a new agreement with its current solid waste contractor.

- Public opinion survey of services and contractor;
- Study establishing a fee to be charged for refuse vehicles' impact on residential streets;
- Revise the existing rate structure to stimulate certain behaviors (increasing waste reduction and recycling, reducing the frequency of service, etc.);
- Revise the City's solid waste ordinance to conform to the revised franchise agreement;
- Contract management manual;
- Implementation monitoring.



Mr. Darryl Wong
May 19, 2004

Schedule

Our proposed schedule is:

- Review Background Materials Early June 2004
- Meet to Establish City Objectives Mid June 2004
- Draft Amendment or Revised Agreement for Initial Negotiations Late June 2004
- Draft Amendment or Revised Agreement, and Issue Draft Amendment/Agreement and Cost Proposal forms to BFI Mid-July 2004
- Review BFI's Response Mid-August 2004
- Negotiate Initial Amendment/Agreement July–August 2004
- Present to City Council Results of Initial Negotiations August 2004
- Negotiate Subsequent Amendment /Agreement August–November 2004
- Review Rate Adjustment Using Current Methodology September–October 2004
- Present to City Council Rates and Subsequent Negotiations November 2004
- Follow-up January–February 2005

Staff

I will direct the conduct of the engagement, reviewing detailed work plans, the documentation of analytical tasks, interim and final work products, and attending all meetings with City staff. I will be the principal negotiator during both phases of the engagement.

Mr. Rick Simonson will manage the engagement, prepare detailed work plans, perform analytical tasks, supervise the performance of others, document our analyses, prepare interim and final work products, and attend all meetings.

Previously, we provided you copies of Mr. Simonson's and my resumes.

During the engagement, we may be assisted by other qualified less-senior staff who will perform certain tasks under our direct supervision at lower billing rates in order to more cost-effectively provide you service.

Fees and Billing Arrangements

Our not-to-exceed fees plus out of pocket expense for local travel for this engagement are \$83,645 (refer to Exhibit B-3).

The nature of this engagement and the effect of City and BFI staff involvement on the time required to complete certain tasks, make it difficult to estimate our fees. Therefore, we have done so based on our prior experience in similar engagements with other clients. Our actual hours may be less and, if so, we will bill you the lesser amount. We will notify you immediately and before proceeding if more hours may be required, and at



HILTON FARNKOPF & HOBSON, LLC

Mr. Darryl Wong
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that time, we will be glad to discuss how best to proceed.
We propose to bill you monthly by task and staff member at our standard billing rates
for the time spent on your matter.

Very truly yours,
HILTON FARNKOPF & HOBSON, LLC

Robert D. Hilton, CMC
President

Attachment A: Fee Estimate

cc: Marilyn J. Nickel, P.E. (mnickel@cj.milpitas.ca.gov)



Mr. Darryl Wong
May 19, 2004

**City of Milpitas
Exhibit B-3
Negotiation Assistance**

Task 6/Description	Hourly Rate	\$ 230 Hilton	\$ 170 Simonson	\$ 120 Roldan	\$ 75 Wagoner	Total
6.0 Negotiation of Extension/Amended Agreement						
6.1 Identify Opportunities for Improvements to Existing Agreements		4	8			
6.2 Set Goals and Objectives and Categorize as Initial/Subsequent		4	4			
6.3.1 Draft Amendments to Existing Agreements or an Amended Agreement for Initial Negotiations		4	16	4	4	
6.3.2 Draft Amendments to Existing Agreements or an Amended Agreement, Prepare Cost Forms and Issue to BFI for Subsequent Negotiations		4	16	4	4	
6.4.1 Evaluate BFI's Response to Initial Negotiation Provisions		2	4			
6.4.2 Evaluate BFI's Response to Subsequent Negotiation Provisions		8	24	8		
6.5.1 Assist in Initial Negotiations (Assuming 1 Meeting Each Week from July to Mid-August) 7 weeks		42	42		4	
6.5.2 Assist in Subsequent Negotiations (Assuming 1 Meeting Each Week From September through November) 18 weeks		72	72	16	4	
6.6 Assist with Presentation To City Council		8				
	Subtotal Hours	148	186	32	16	382
	Subtotal Fees	\$34,040	\$31,620	\$3,840	\$1,200	\$ 70,700
7.0 Calculation of Biennial Adjustment to Rates						
7.1 Identify Non-Recurring of Fully amortized Costs		2	4	8		
7.2 Review Mathematical Accuracy and Compliance		2	4	2	2	
7.3 Review Extraordinary Costs		2	4	8		
7.4 Review Revenues from Commercial Recycling		1	4	8		
7.5 Negotiation of Adjustment		Included in Task 1.5.2 above				
7.6 Draft Report		2	8	2		
7.7 Assist with Presentation to City Council		8				
	Subtotal Hours	17	24	26	4	71
	Subtotal Fees	\$3,910	\$4,080	\$3,120	\$ 300	\$11,410
	Total Hours	165	210	58	20	453
	Total Fees	\$37,950	\$35,700	\$6,960	\$1,500	\$82,110
	Out of Pocket Expenses					1,535
TOTAL BUDGET						\$83,645